BASLE Committee norms on Capital adequacy for Banks

4574. SHRI DHULESHWAR MEENA: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that risk weighted capital ratios for banks including foreign banks are intended to be prescribed, shortly, by Reserve Bank of India to comply with the BASLE Committee norms on capital adeuacy;

(b) what are the BASLE Committee norms for measuring capital adequacy of the banks; and

(c) how far these norms will go to improve the health of the banking industry in India, particularly, its overall profitability?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI DALBIR SINGH): (a) Reserve Bank of India (RBI) have reported that the question of prescribing risk weighted capital assets ratio as a capital adequacy measure for banks in India on the lines of the BASLE Committee norms is under consideration.

(b) and (c) The BASLE Committee on Banking Regulations and Supervisory Practices prescribed a capital adeuacy ratio of 8% of risk weighted assets for commercial banks. The objective of the Committee in prescribing capital adequacy norms is to strengthen the soundness and stability of the banking system in different countries. The Narasimhan Committee have expressed the view that banks in India should also conform to the BASLE Committee's norms in a phased manner.

Fixing of floor level for Cash Reserve Ratio

4575. SHRI DHULESHWAR MEENA: Will the Minister of FINANCE be pleased to state:

(a) whether there exists at present some loopholes in fixing the floor level for Cash Reserve Ratio;

(b) whether as a result of this, the Call market rates fluctuate wildly and aggregates are distorted ,as bankers increase and reduce cash balance;

(c) whether the Reserve bank of India has fixed any norms as to what the floor level should be; if so, what are the details thereof; and

(d) if not, whether the Reserve Bank of India will consider prescribing a floor level under a directive to the banks?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI DALBIR SINGH): (a) to (d) Reserve Bank of India (RBI) has reported that under Section 42 (I) of the RBI Act, 1934, all Scheduled Banks are required to maintain an average daily balance during the fortnight with the Reserve Bank under the stipulated Cash Reserve Ratio (CRR). The maintenance of Cash Reserve requirement as prescribed can be only one of the reasons for fluctuations in the Call money Market Rates. Variation in surplus funds with the banks and institutional players in the Call Money Market as also over extended credit position of certain banks have also been responsible for volatility in the Call Money Market. The Reserve Bank has not stipulated any norms with regard to Floor Level for maintenance of cash balance with the Reserve Bank. Cash Reserve Ratio has to be maintained under statutory provisions on each day but the banks have been advised to avoid excessive fluctuations in their cash balances.

Expenses on security cars and personnel of Ministers

4576. SHRI TINDIVANAM G. VENKATRAMAN: Will the Minister of FINANCE be pleased to state:

(a) what is total amount of expenditure incurred on security cars, personnels, separately, per annum, per Minister; and

(b) what steps have been taken by Government, so far, to cut such expenditures?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI SHANTARAM POTDUKHE): (a) and (b) The information is being collected and will be laid on the Table of the House as soon as possible.